

Under Illinois law, a trade-in credit is available to a retailer when the purchaser trades in tangible personal property of like kind and character as that which is being sold by the retailer. See 86 Ill. Adm. Code 130.425. (This is a GIL.)

November 15, 2005

Dear Xxxxx:

This letter is in response to your letter dated October 27, 2005 in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.tax.illinois.gov to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We are requesting a written ruling on whether sales tax should be applied to the value of tangible personal property of like kind traded in and shown on an invoice as a separate line item as a deduction from the total price owed by the purchaser.

Is the tax base equal to the total sale price of the new or used tangible personal property sold without regard to the trade-in deduction or is the tax base equal to the total sale price less the value of the trade-in?

(Example: Sale of product 'A' for \$10,000.00
Trade-in of property like product 'A' for \$3,000.00

Would the tax base be \$10,000.00 or \$7,000.00?)

Please advise in writing the states opinion on this matter.

If you require further information and have additional questions, I can be reached at #.

DEPARTMENT'S RESPONSE:

You have inquired concerning trade-ins. Please see the enclosed rule entitled "Traded-in Property." (86 Ill. Adm. Code 130.425) Under Illinois law, a trade-in credit is available to a retailer when the purchaser trades in tangible personal property of like kind and character as that which is being sold by the retailer.

I hope this information is helpful. If you require additional information, please visit our website at www.tax.illinois.gov or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Sincerely,

Samuel J. Moore
Associate Counsel

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